

The Royal Collection Trust

(Limited by guarantee)

**Trustees' Report and Consolidated
Financial Statements**

31 March 2023

Company Number 2713536

Royal Collection Trust

TRUSTEES' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

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TRUSTEES' REPORT 2022/23

The Trustees present their annual report and the audited consolidated financial statements of The Royal Collection Trust ("The Trust") and its trading subsidiary Royal Collection Enterprises Limited (together "Royal Collection Trust" or "the Group"), for the year ended 31 March 2023.

Reference and Administrative Information

<i>Charity Registration Number:</i>	1016972
<i>Scottish Charity Number:</i>	SC039772
<i>Company Number:</i>	2713536
<i>Principal and Registered Office:</i>	York House, St James's Palace, London SW1A 1BQ

Patron

His Majesty King Charles III

Trustees

The Hon. Sir James Leigh-Pemberton

The Rt. Hon. Sir Clive Alderton (*appointed 1 December 2022*)

Mr Marc Bolland

Sir Brian Ivory

Vice Admiral Sir Tony Johnstone-Burt

Dr Anna Keay

The Rt Hon. The Lord Parker of Minsmere

Dr Tonya Nelson

Ms Monisha Shah

Sir Michael Stevens

The Rt. Hon. Sir Edward Young (*resigned 1 December 2022*)

Management Board

Mr Tim Knox

Director of the Royal Collection

Mr Keith Harrison

Director of Finance

Mrs Michelle Lockhart

Director of Commercial Operations and Engagement

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Auditor	KPMG LLP 15 Canada Square, London E14 5GL
Bankers	Coutts & Co 440 Strand, London WC2R 0QS
Solicitor	Farrer & Co 66 Lincoln's Inn Fields, London WC2A 3LH

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Structure, Governance and Management

Governing Document

The Trust is a company limited by guarantee, incorporated on 29 January 1993 and registered as a charity in England and Wales on 2 February 1993. The Office of the Scottish Charity Regulator approved The Trust's application to be registered as a charity in Scotland on 5 August 2008.

The company was established under a Memorandum of Association which established the objects and powers of The Trust and is governed under its Articles of Association. There are currently three members of The Trust, each of whom is required to contribute an amount not exceeding £1 in the event of it winding up.

Appointment of Trustees

Trustees include the holders of Relevant Offices within the Royal Household. On 10 March 2023, the members of the Trust approved a change to the Articles of Association. As a consequence of this change, The Master of the Household became a Relevant Office in addition to The Lord Chamberlain, The Private Secretary to The Sovereign and The Keeper of the Privy Purse.

The appointment of a Trustee is approved by The Sovereign prior to appointment by the Board of Trustees. In appointing Trustees other than holders of the Relevant Offices, consideration is given to ensuring that the Board of Trustees has the requisite mix of skills and experience.

All Trustees give their time voluntarily and receive no remuneration for their services to The Trust. Details of any expenses reimbursed by The Trust are set out in note 8 to the financial statements. New Trustees receive an information pack which includes the current strategic plan, minutes of recent Trustee Board meetings and details of organisational structure. In addition, new Trustees undertake an induction programme comprising meetings with senior managers and visits to the official residences and workshops.

Organisational Structure

The Board of Trustees, which can have a minimum of five and up to a maximum of twelve Trustees, manages the Charity and meets at least three times a year. During the year, the Board of Trustees had two sub-committees.

The Audit and Risk Assurance Committee has four members: Sir Brian Ivory (Chairman), Sir Michael Stevens, and Ms Monisha Shah, who are Trustees, and Mr Steve Maslin. The Committee meets and reports formally to the Board at least three times a year. It has overall responsibility

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for monitoring the effectiveness of The Trust's corporate governance and system of internal control. In undertaking its responsibilities, the Committee receives reports from the internal and external auditors and from management.

The Strategic Development Committee comprises five Trustees and members of the Management Board. This Committee met three times under the Chairmanship of Mr Marc Bolland. Its role is to monitor and oversee The Trust's financial position and commercial operations. This includes monitoring The Trust's bank borrowing and cashflow.

The Board of Trustees has delegated the powers set out in The Trust's governing document to the Director and members of the Management Board who manage the day-to-day operations of the Charity. The members of Management Board are the Director of the Royal Collection, the Director of Finance and the Director of Commercial Operations and Engagement.

The Board of Trustees monitors the way in which its delegated powers are exercised by the Management Board through:

- Receipt of regular reports on Royal Collection Trust's activities;
- Review and approval of budgets and strategic plans;
- The work of the Strategic Development Committee;
- Reports from the Chairman of the Audit and Risk Assurance Committee; and
- Review of management accounts and the Annual Report and Financial Statements.

The Director of the Royal Collection is a Head of Department of the Royal Household and is appointed by The Sovereign.

The Management Board is responsible for preparation of strategic plans and annual budgets, and for overseeing the efficient and effective operation of Royal Collection Trust. Together with the Operations Board of senior managers, the Management Board is responsible for the day-to-day monitoring of performance, maintaining adequate systems for internal financial control and risk management, ensuring value for money and operational efficiency and providing organisation-wide leadership and effective internal communications.

Subsidiary Undertaking

The Trust's wholly-owned subsidiary, Royal Collection Enterprises Limited, has a paid up share capital of £2, and is incorporated in the UK. The principal activities of the company are the management of public access to the official residences of The King and the sale of retail merchandise. Taxable profits are donated in accordance with a deed of covenant to the parent company, The Royal Collection Trust.

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Related Parties

The activities of Royal Collection Trust require the co-operation and support of the other departments of the Royal Household. These departments are represented on the Board of Trustees through the holders of the Relevant Offices.

Details of material transactions during the year with other entities controlled by officials or Trustees on behalf of The Sovereign are set out in note 23 to the financial statements.

Objectives and Activities

The works of art that comprise the Royal Collection are held by The King in right of the Crown and are held in trust for his Successors and for the Nation. The Collection is exhibited primarily within areas of the official residences of The King, and in the unoccupied residences maintained by Historic Royal Palaces, which are open to the public. Where works of art are not on public view, these items are made available to the public through exhibitions at The Queen's Galleries in London and Edinburgh, through loans to other museums and galleries both within the UK and overseas (including travelling exhibitions), and via publications and online access.

Charitable Objects and Public Benefit

The objects of The Trust are, for the benefit of the Nation:

- to administer, conserve, renovate, repair, maintain, improve and advise on the Royal Collection, the Royal Archives and the Royal Photograph Collection which pass in right of the Crown; and
- to educate and inform the Public about such Collections and Archives by exhibition, preparation of catalogues and inventories, research, publication, educational activities, digital engagement and by such other means as appropriate.

The Trustees, having regard to the Charity Commission's public benefit guidance, seek to fulfil these objects by pursuing a series of charitable aims. They are as follows:

- the Royal Collection is subject to proper custodial control in the service of HM The King and the Nation;
- the Royal Collection is maintained and conserved to the highest possible standards to ensure that visitors can view the Collection in the best possible condition;
- as much of the Royal Collection as possible can be seen by members of the public;
- the Royal Collection is presented and interpreted so as to enhance public appreciation and understanding;
- appropriate acquisitions are made when resources become available to enhance the Collection and displays of exhibits for the public; and
- access to the Royal Collection is broadened in person, in print and online, and increased to ensure that as many people as possible are able to enjoy the Collection.

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The Trustees consider that public benefit is delivered as a result of pursuit of the following activities:

Providing access to the Royal Collection, and presenting and interpreting the Collection to the public

- direct access by visits to the official residences of The King in Windsor, London and Edinburgh, and to The Queen's Galleries in London and Edinburgh, with extensive audio tours included in the cost of admission;
- loaning items from the Collection to other organisations who will then exhibit them to the public, widening geographical access for those who may not be able to visit the main Royal Collection sites;
- the continued digitisation of information about and images of items in the Collection, available to access via the Royal Collection Trust website, microsites and the Collection Online function;
- regular digital access through resources shared on social media networks, email and YouTube
- sharing our digital assets to be used on partner sites and in collaboration on research projects
- increasing access via learning programming both on site and through online events;
- sessions for schools and community groups tailored to the Palaces and exhibitions, and a range of family events and activities;
- lectures, panel discussions, performances, concerts and creative courses for adults at all sites; and
- publishing guidebooks, catalogues and other publications physically and online.

Royal Collection Trust aims to make the Collection accessible to those with specific requirements, for example:

- support for those who are blind or partially sighted is provided through verbal description audio tours as well as descriptive talks at our sites and online; those who are deaf or have hearing loss can use hand-held British Sign Language (BSL) video tours, attend captioned talks on site, and attend BSL talks;
- in terms of physical mobility, most Royal Collection sites are fully accessible, except for limited areas at the Palace of Holyroodhouse and Frogmore House where mobility is restricted due to the nature of the building. Accessible toilets are available at all sites, with Changing Places toilets at Windsor Castle and the Royal Mews;
- access companions are granted free admission; and
- autistic visitors can download a guide on what to expect when they visit our sites, and can contact our Access & Inclusion Manager if they wish to discuss their visit further.

Pricing and access

Charges are made to visit the official residences of The King and exhibitions in The Queen's Galleries. Various measures are in place to ensure that the charges do not unduly restrict access to the Royal Collection as follows:

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- flexible pricing of products to ensure wider access to the Collection via ticket discounts for schools and young people, the introduction in 2022 of an enhanced Young Person's discount, complimentary passes and use of the 1 Year Pass scheme;
- taught sessions and workshops are offered to schools as part of their reduced admission fee, and teachers can take advantage of free 'pre-visit' tickets, to help them prepare for their school's visit. Regular free teachers' evenings are programmed. Where fees are a barrier to visiting, schools can apply for free entrance and for travel subsidies;
- sessions for community groups and societies working with under-represented, disadvantaged or disabled audiences are provided free of charge. Registered charities working with under-represented, disadvantaged or disabled people can apply for free entrance to the Palaces and Galleries and individuals and organisations supporting Children in Care can apply for free entry to all sites;
- The Trust schedules live events about the Collection for free, or at a low price point, and extensive free learning resources are available on the www.rct.uk website;
- Windsor Castle participates in a scheme that gives free admission to local residents;
- serving members of the armed forces and their families are granted free admission via the Defence Discount Service; and
- complimentary family tickets to the official residences and The Queen's Galleries are provided to charities and Parent Teacher Associations each year.

Measuring public benefit

The Trust measures public benefit by use of feedback surveys, review sites such as Trip Advisor, direct customer feedback, impressions and engagements on social media posts, and analytical evaluation of website and Collection Online content.

The Trust continues to seek ways to increase public benefit through audience development and increased digital access via the website, Collection Online, video content and social media.

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Review of the Year

The financial statements set out on pages 26 to 59 cover the activities of The Royal Collection Trust ("The Trust") and its trading subsidiary Royal Collection Enterprises Limited (together "Royal Collection Trust", "the Group"). The Consolidated Statement of Financial Activities shows the gross income from all sources and the split of activity between restricted and unrestricted funds.

The year to 31 March 2023 was a unique period in the history of the Monarchy in the UK. It saw the celebration of 70 years of service in the Platinum Jubilee, the death of Her late Majesty Queen Elizabeth II and the accession of King Charles III. These significant events had a major impact on the activities of Royal Collection Trust. Overall however, the year saw very good progress made in the continued financial recovery following the huge impact of the pandemic.

Aside from a closure period following the death of Her Late Majesty, sites were able to open throughout the year, without being subject to any Government restrictions, for the first time since March 2020. As a result it was possible to open the State Rooms of Buckingham Palace to visitors in the summer for the first time since 2019. Visitor levels at Windsor Castle in particular increased noticeably in the period following the reopening of the site in late September. Five days per week opening was maintained at all sites, with the Palace of Holyroodhouse open for seven days per week in the summer. Overall, visitor numbers to the official residences have continued to recover as shown below. 2019/20 is given to illustrate pre-pandemic visitor levels.

	2022/23	2021/22	2019/20
	000	000	000
Windsor Castle	1,087	426	1,587
Frogmore House	5	-	5
Buckingham Palace	304	121	578
The Queen's Gallery, Buckingham Palace	97	49	266
The Royal Mews	90	-	237
Palace of Holyroodhouse	329	129	496
The Queen's Gallery, Palace of Holyroodhouse	34	12	116
	1,946	737	3,285

Note: 44,000 learning visitors are included in these numbers (2021/22: 19,000, 2019/20: 110,000).

In addition to the numbers shown above, St James's Palace opened to the public for the first time on a trial basis, with guided tours being run over two weekends. The tours sold out quickly and based on the success of this trial it is hoped that further tours will run in the future.

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Retail sales were boosted by the Platinum Jubilee range and a commemorative range celebrating the life of The late Queen. The recent growth in online sales was maintained, with sales totalling £4.4 million during the year (2021/22: £4.3 million). Overall retail and publishing sales for the year totalled £24.1 million (2021/22: £10.8 million).

Net income of £8.0 million was achieved for the year. This performance exceeded target by over £2 million, marking a return to profitability following the losses incurred as a consequence of the pandemic.

Loan facilities

As part of measures to withstand and recover from the financial impact of Covid-19, The Trust obtained loan facilities with Coutts & Co. At the start of 2022/23, the total facility held was £52 million and the drawn loan balance was £33.5 million.

The loans have variable interest rates and permit early repayment. Following successful cash generation during the summer of 2022, and supported by long-term forecasts, The Trust reduced the total facility to £40 million. At the balance sheet date, the drawn loan balance was £22.5 million.

The next contractual repayment date is July 2025 when a repayment of £10 million is due. The loan is subject to covenant and all covenant requirements have been met throughout the year and are expected to be met in the future. Details of the loan are given in note 19.

In March 2021, The Trust made a £7 million loan to its trading subsidiary, Royal Collection Enterprises Limited (RCEL). The loan was agreed with due regard for Charity Commission and HMRC guidance for such arrangements. The Trust has obtained fixed and floating security over the assets of RCEL. The loan term is three years with the option of early repayment and interest is charged at variable rate. The loan outstanding at 31 March 2023 was £7 million. In May 2023, RCEL repaid £3.5 million of the loan, leaving £3.5 million outstanding. Both entities fully expect the balance of the loan to be repaid on or before the maturity date. Details of the loan are given in note 14.

Looking ahead

As Royal Collection Trust moves into the next financial year, visitor numbers and retail sales remain positive, with the excitement generated by the Coronation in May 2023 a key factor. The continued recovery in inbound tourism to the UK is expected to help to underpin financial performance later in the year. It is planned that sites will continue to open largely on a five days per week basis, but this will be kept under review. The budget set for 2023/24 anticipates another healthy operating surplus. The current longer-term financial projection shows that the

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organisation will continue as a going concern for a period of at least 12 months from the approval of the financial statements.

Reserves and going concern

Prior to the pandemic, The Trust's policy had been to target a free reserves level of £10 million. The significant loss incurred in 2020/21 has meant that reserves had to be fully expended. At 31 March 2023 free reserves showed a deficit position of £18.9 million.

The bank borrowing facility of £52 million in total that was put in place in 2020/21 was based on a severe plausible downside scenario projection and was sufficient to secure Royal Collection Trust's future as a going concern based on that scenario. The actual results delivered since then have been considerably better than this scenario, and in autumn 2022 Trustees agreed to reduce the level of the facility to £40 million. As at 31 March 2023, bank borrowing against that facility stood at £22.5 million. The facility is in place until March 2028 with scheduled reductions from 2025.

Although the recovery will still take several years, the liquidity secured with the borrowing facilities ensures that the organisation can continue to trade responsibly even with a deficit balance on reserves. As the trading position improves, the aim is to rebuild free reserve levels to an appropriate level. This level will be reviewed by Trustees as the recovery develops.

On the basis of the projections prepared, The Trustees have concluded that the Group and Charity will be able to meet their liabilities as they fall due and therefore continue as a going concern for a period of at least 12 months from the approval of these financial statements.

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Funds and Reserves

The reserves held at 31 March 2023 were as follows:

	2022/23	2021/22
	£000	£000
Restricted funds	562	715
Unrestricted funds		
General funds		
Fixed Asset Reserve	47,305	50,531
Free Reserve	(18,906)	(30,248)
Pension Reserve	2,700	4,700
Total Unrestricted Funds	31,099	24,983
Total Charity Funds	31,661	25,698

Details of the movements in fund balances are set out in note 20 on page 48.

Restricted funds

These are funds subject to specific restrictions imposed by donors that are still within the wider objects of the Charity.

Unrestricted funds

These are funds that are expendable at the discretion of the Trustees in furtherance of the Charity's objects.

The funded status of the **pension reserve** has reduced by £2.0 million, leading to a total asset of £2.7 million. This arises as a consequence of an updated actuarial report based on market changes and assumptions applicable as at 31 March 2023. The Trustees do not treat the pension reserve as available funds to be utilised as it is subject to market fluctuations and not realised in liquid funds. Consequently, the pension reserve is excluded from free reserves.

The **fixed asset reserve** represents the net book value of the group's tangible and intangible assets. It is excluded from free reserves, as the Charity could not dispose of all or the majority of these assets and continue its operations as a going concern.

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Section 172 statement

In accordance with section 172 of the Companies Act 2006, the Board considers in its decision making how to promote the success of Royal Collection Trust as a whole, with due consideration to the impact of decisions on other stakeholders. The Board considers the impact of its decisions on beneficiaries of the work of The Trust, employees, suppliers, local communities and the environment.

The strategic focus on visitor experience and broadening access to the Collection ensures attention is given to the beneficiaries of The Trust's activities. Pages 5 to 7 give examples. Feedback is invited from visitors to inform the Board's understanding of their needs. Details of employee policies and practices, ensuring that the needs of employees are taken into account, are set out in the section below on Employment Policies.

The Board seeks to act responsibly with regards to the environment, and further information is provided in the Environmental Sustainability section of this report. The Trust seeks to deal fairly with suppliers when agreeing contractual terms and settling accounts promptly, paying invoices within 30 days on average. The Trust seeks to act responsibly towards its local communities, making special provision for local access, providing workshops for local community groups and using local suppliers where appropriate.

The Board is satisfied that the examples above and the information contained elsewhere in this report demonstrates its commitment to good governance under section 172.

Fundraising

The great majority of The Royal Collection Trust's income is raised from admissions income from visitors to our sites and from retail sales. However, The Trust employs a Development Officer to raise additional funds from the corporate sector, Trusts and Foundations and Philanthropic individuals via a number of diverse fundraising activities. The Trust does not conduct mail-outs or practice 'cold calling' and only solicits gifts from supporters with whom it has an existing relationship.

The Trust subscribes to the Code of Fundraising Practice operated by the Fundraising Regulator, which includes guidance on fundraising with vulnerable people, as well as HMRC best practice for donor benefits. Subscription to the Fundraising Regulator also provides training and support for fundraisers, if needed.

The Trust has clear, established and robust systems including: due-diligence reporting for solicitations in excess of £5,000, a gift-acceptance policy and a GDPR-compliant statement in place for approaching both existing and new prospects and the way in which we store personal data. There have been no failures by The Trust to comply with these fundraising standards and The Trust has received no complaints about its fundraising activities.

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Risk Management

The Operations Board of Royal Collection Trust, in conjunction with senior management in the Royal Household, is responsible for the oversight of the risk management process. Departmental Heads and senior managers are responsible for identifying, assessing and managing risk in their areas of responsibility and all staff are encouraged to identify operational risks in the performance of their duties. Risk management is designed to optimise performance and manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives.

The Operations Board assesses risks and opportunities in the preparation of longer-term operating plans. Specialist risk managers in the Royal Household include the Chief Information Officer, the Director of Property and the Director of Security Liaison. These specialists provide advice on the management of the risks falling within their areas of responsibility.

The Audit and Risk Assurance Committee is responsible for assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks and is supported in this role by the Internal Audit function. The Chairman of the Committee reports to the Board of Trustees at each meeting of the Trustees on the Committee's activities and responsibilities.

The Committee meets three times annually and reviews the risk register twice a year. This follows a detailed review and discussion by the Operations Board. The Internal Audit function takes a risk-based approach to audits and operates to a plan of work agreed by the Audit and Risk Assurance Committee that is aligned to the risk register and the Group's objectives. Evaluation of the Company's exposure to risk includes consideration of governance, operational and information systems, the integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets and compliance with laws, regulations and contracts. The findings of all internal audit reviews are reported to the Committee.

The Committee monitors management's progress with the implementation of agreed internal audit recommendations. Assurance on specialist areas such as data protection, property maintenance, health and safety and security is provided by suitably qualified senior managers in the Royal Household and where appropriate, external professionals. New activities and changes to existing processes are routinely reviewed to ensure that appropriate controls are in place. Ongoing budgetary control is supported by the production of regular and timely financial management reports.

In terms of current risks, inflationary pressures remain a key consideration in terms of impact on Royal Collection Trust staff, its cost base and on potential visitors' levels of disposable income. Collection storage capacity and conditions also give rise to risk, given the challenges of storing material in historic buildings and the increased movement of Collection items as a result

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of the Buckingham Palace reservicing programme and change of Reign. Staff recruitment and retention is a further area of risk, given the current UK employment market conditions.

In addition, Royal Collection Trust manages key generic risks relating to data protection, fraud, physical and cyber security, potential failure of IT systems, the need to ensure appropriate and robust safeguarding measures for visitors and staff and the operational risks associated with managing large numbers of visitors. Led by the Royal Household's Digital Services function, specific controls to address information risk are applied using the Centre for Internet Security controls. Alongside this, work has commenced on implementing a management system for cyber and information security. The international standard ISO 27001/2 has been chosen to provide management, measurement, and improvement. Relevant staff training is provided at induction and via regular updates.

Management continues to monitor and manage ongoing risks relating to areas such as the achievement of charitable objectives, and the protection of the Group's assets. Regular inventory checks ensure that the works of art within the Royal Collection are subject to proper custodial control. In addition, the checks confirm the condition of items in the Royal Collection and help to establish conservation priorities. Environmental monitoring of conditions throughout the official residences and at other locations where the Royal Collection is on display ensures that the deterioration of works of art is minimised.

The risk register is amended and reviewed regularly to reflect the changing risk profile outlined above.

Employment policies and employee engagement

As a department of the Royal Household, Royal Collection Trust follows the Royal Household's employment policies and practices. These underpin the aim of creating an engaged, diverse and adaptable workforce, fostering a sense of teamwork, trust and inclusion, and a focus on progressive change and continuous improvement. The Royal Household benchmarks and seeks validation for its employment policies and practices.

Disclosure and Concern at Work policies clarify the protection offered to 'whistle-blowers' under the Public Interest Disclosures Act, and an Employee Assistance Programme provides an additional, third-party route for staff to seek advice on these matters. Policies and procedures, including those relating to procurement, are kept under review to identify, prevent and mitigate any risks of modern slavery or human trafficking.

As part of The Royal Household, Royal Collection Trust is supportive of employees who undertake volunteering and charitable activities, recognising the benefit to the individual involved and of forging links with the wider community. Employees can take up to five days paid volunteering leave a year for this purpose.

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The Trust is fully committed to proactively supporting the safeguarding of its employees, workers, visitors, and contractors, and has a clear Safeguarding Policy and set of procedures that are available both to staff and members of the public.

Ensuring a culture where all individuals can thrive is a priority. In line with the Royal Household's Inclusion & Diversity action plan a range of resources and learning opportunities have been launched for employees. Employees at all levels have attended 'Active Bystander' training and have access to a portfolio of team activities and e-learning covering a range of inclusion related topics. Managers and Leaders have been further supported with learning to support them in their role of building inclusive culture. Employee wellbeing continues to be supported and Royal Collection Trust's team of Mental Health First Aiders have been re-accredited this year.

In a year of much change, employees have been regularly informed of the organisation's financial situation and strategic plans through Directors' Briefings, both online and in person. These briefings were well received and will continue at regular intervals, with the content informed by feedback from the Internal Communications Working Group

Environmental Sustainability

As one of the five departments of The Royal Household, Royal Collection Trust fully supports the Household's objective of operating in a sustainable way and minimising its impact on the environment. The Royal Household aims to set a high benchmark for environmental sustainability within the context of the historic environment in which it operates through careful management and monitoring of existing systems; placing sustainability at the forefront of future developments and improvements; working with partners and suppliers in a holistic manner; and employing innovative, technological approaches wherever possible. The Royal Household aims for cultural change by improving the sustainability literacy and achievements of staff, contractors, suppliers and residents such that efforts to protect the natural environment are inherent and pervasive across the wider organisation and its supply chain.

A critical activity during the last year has been the calculation of a Greenhouse Gas (GHG) Emissions profile for The Royal Household. The work completed has expanded the scope and quality of existing data and a reporting infrastructure has been developed to ensure consistent and accurate data collection, collation and aggregation across The Royal Household.

Following the calculation of the Royal Household's emissions profile, a pathway to decarbonisation has been developed which aims to support the Royal Household's understanding of what is required to achieve a transition to net zero for Scope 1, 2 and (limited) Scope 3. Based on the analysis performed, areas of focus have been identified, which will deliver the most material outcomes. These include reducing emissions relating to natural gas and heating, along with business travel.

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Royal Collection Trust is taking the following steps in line with the Household's Strategic Aims for environmental sustainability.

- Replacement of popular retail products with alternatives made from more sustainable materials, such as recycled plastic bottles.
- The china and glass range of retail merchandise continues to be developed and manufactured entirely by hand in the UK including all gift packaging. Design and manufacture methods have been modified such that emissions in the production process have been reduced.
- LED lighting is being installed at The Queen's Gallery in Edinburgh as part of a programme of plant refurbishment works
- Work is underway at the Picture Conservation Studio, Windsor Home Park to improve efficiency of the building fabric and to install a heat pump.
- Focus on securing UK suppliers for products and packaging, thereby minimising the carbon footprint associated with delivery and fulfilment whilst supporting domestic skills and employment.
- Aiming to reduce Green House Gases from Natural Gas and Heating, by reducing set temperatures in occupied and vacant rooms.
- Optimisation of the Building Management System across the London sites and Windsor Castle.

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Streamlined Energy and Carbon Reporting 2022/23

Royal Collection Trust is required to report on energy use and carbon emissions under the Streamlined Energy and Carbon Reporting regulations. The tables below provide the disclosure required in respect of The Royal Collection Trust and Royal Collection Enterprises Limited.

This SECR report covers:

Scope 1 – Natural Gas and Owned/leased vehicles.

Scope 2 – Electricity National Grid

Scope 3 – Travel in privately owned vehicles for business purposes

Greenhouse Gas Emissions

	2023 (tCO ₂ e)		2022 (tCO ₂ e)	
	Location based**	Market based*	Location based**	Market based*
Emissions Scope 1	513	513	633	633
Emissions Scope 2	508	38	610	42
Total Scope 1 & 2	1,021	551	1,243	675
Emissions Scope 3	11	11	10	10
Total GHG emissions (1-3)	1,032	562	1,253	685

GHG emissions for reporting purposes are deemed to be Market-based.

* GHG emissions for grid electricity calculated according to the Market-based method supported by contractual arrangements with suppliers for the purchase of renewable electricity.

** GHG emissions for grid electricity calculated using UK grid-average (Location-based) emissions factor.

All emissions have been calculated using the relevant carbon conversion factors from DEFRA

Energy Use

Energy Consumption	2023	2022
	KWh (m)	KWh (m)
Scope 1	2.79	3.44
Scope 2	2.62	2.88
Scope 3	0.05	0.04
Total kWh	5.46	6.36

Data has been sourced from accounting software using utility invoices, business mileage claims and fuel card invoices.

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Royal Collection Trust has adopted Net Internal Area (NIA) as an intensity measure. The NIA of buildings within The Royal Collection Trust and its subsidiary during the 2022/23 financial year was 24,758 m². Royal Collection Trust emitted 0.042 tonnes of CO₂e per m² of NIA when using grid average conversions. Royal Collection Trust emitted 0.023 tonnes of CO₂e per m² of NIA when allowing for Renewable Energy Guarantees of Origin (REGOs).

Energy consumption used to calculate emissions	Gas: 2,748,698 kWh Company owned vehicles: 47,103 kWh Electricity: 2,625,617 kWh (of which all except 197,348 kWh is REGO backed renewable) Employee owned vehicles: 4,677 kWh
Emissions from combustion of gas tCO ₂ e (scope 1)	502 tonnes
Emissions from business travel in company owned vehicles	11 tonnes
Emissions from purchased electricity (scope 2, location based)	508 tonnes (using grid average) 38 tonnes (allowing for REGO backed renewable generation)
Emissions from business travel in rental cars or employee owned vehicles where company is responsible for purchasing the fuel (scope 3)	11 tonnes
Total gross CO₂e based on the above	1,032.3 tonnes (using grid average) 562.7 tonnes (allowing for REGO back renewable generation)

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TRUSTEES' REPORT 2022/23

Statement of Trustees responsibilities in respect of the Trustees' Annual Report and the financial statements

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company and charity law requires the Trustees to prepare financial statements for each financial year. Under that law they are required to prepare the group and parent charitable company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent charitable company and of the group's income and expenditure for that period. In preparing each of the group and parent charitable company financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the parent charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the parent charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the

Royal Collection Trust

TRUSTEES' REPORT 2022/23

preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The Trustees who held office at the date of approval of this Trustees' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

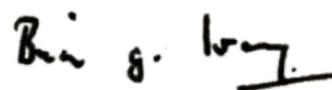
Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the Trustees



The Hon. Sir James Leigh-Pemberton
Trustee



Sir Brian Ivory
Trustee

York House
St James's Palace
London SW1A 1BQ
4 July 2023

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF THE ROYAL COLLECTION TRUST

Opinion

We have audited the financial statements of The Royal Collection Trust (“the charitable company”) for the year ended 31 March 2023 which comprise the Consolidated and Trust Statement of Financial Activities, Consolidated and Trust Balance Sheet, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group’s and of the charitable company’s affairs as at 31 March 2023 and of the group’s incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the charitable company or to cease their operations, and as they have concluded that the group and the charitable company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the trustees’ conclusions, we considered the inherent risks to the group’s business model and analysed how those risks might affect the group and charitable company’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the trustees’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the trustees’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION TRUST

significant doubt on the group or the charitable company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the charitable company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors/ trustees, internal audit and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes of the Board of Trustees, and Audit and Risk Assurance Committee Meetings
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group’s revenue primarily arises from non-complex, individually low value transactions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION TRUST

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and others management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies and charities legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and employment law recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION TRUST

not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The trustees are responsible for the other information, which comprises the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Annual Report, which constitutes the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- the charitable company has not kept adequate and proper accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 19 the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL COLLECTION TRUST

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the charitable company's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, its members, as a body and its trustees, as a body, for our audit work, for this report or for the opinions we have formed.



Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**15 Canada Square
London
E14 5GL**

06 July 2023

Royal Collection Trust

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating the consolidated income and expenditure account)

For the year ended 31 March 2023

	Note	Income Funds		2023	Income Funds		2022
		Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Income							
<u>Donations and legacies</u>	4,20	70	65	135	-	391	391
<u>Charitable Activities</u>							
Access		37,279	-	37,279	12,707	-	12,707
Presentation and interpretation		613	-	613	314	-	314
<u>Other Trading Activities</u>							
Retail, catering, photographic services		23,578	-	23,578	10,427	-	10,427
Licences, commissions and fees	2	177	-	177	154	-	154
<u>Investments</u>							
Investment income	6	7	-	7	1	-	1
<u>Other income</u>		104	-	104	49	-	49
Total income		61,828	65	61,893	23,652	391	24,043
Expenditure							
<u>Raising Funds</u>							
Fundraising	7	52	-	52	46	-	46
Retail, catering, photographic services	7	19,512	-	19,512	10,919	-	10,919
		19,564	-	19,564	10,965	-	10,965
<u>Charitable Activities</u>							
Access	7,20	21,168	35	21,203	17,219	-	17,219
Presentation and interpretation	7,20	4,989	170	5,159	4,001	98	4,099
Exhibitions and displays	7,20	1,963	13	1,976	1,815	13	1,828
Conservation	7	2,587	-	2,587	2,241	-	2,241
Custodial control	7	1,422	-	1,422	1,346	-	1,346
		32,129	218	32,347	26,622	111	26,733
<u>Other</u>							
Donations payable	5	515	-	515	176	-	176
Interest payable	6	1,504	-	1,504	1,178	-	1,178
Total expenditure		53,712	218	53,930	38,941	111	39,052
Net income/(deficit)		8,116	(153)	7,963	(15,289)	(280)	(15,009)
Transfer between funds	20	-	-	-	609	(609)	-
Other recognised gains/(losses)							
Actuarial (loss)/gain on pension scheme	22	(2,000)	-	(2,000)	3,000	-	3,000
Net movement in funds		6,116	(153)	5,963	(11,680)	(329)	(12,009)
Reconciliation of funds:							
Total funds brought forward		24,983	715	25,698	36,663	1,044	37,707
Total funds carried forward		31,099	562	31,661	24,983	715	25,698

The results shown above relate to continuing activities. There are no recognised gains or losses other than those included above. The incoming resources and resources expended for the year are measured under the historical cost convention. The notes on pages 30 to 59 form part of these financial statements.

Royal Collection Trust

THE ROYAL COLLECTION TRUST STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2023

	Note	Income Funds		2023	Income Funds		2022
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		£000	£000	£000	£000	£000	£000
Income							
<u>Donations and legacies</u>							
Received from subsidiary	24	9,012	-	9,012	3,127	-	3,127
Other donations		70	65	135	-	391	391
<u>Charitable Activities</u>							
Access		37,280	-	37,280	12,707	-	12,707
Presentation and interpretation		215	-	215	90	-	90
<u>Investments</u>							
Investment income	6	331	-	331	182	-	182
Other		662	-	662	606	-	606
Total		47,570	65	47,635	16,712	391	17,103
Expenditure							
<u>Raising Funds</u>							
		52	-	52	46	-	46
		52	-	52	46	-	46
<u>Charitable Activities</u>							
Access		29,963	35	29,998	23,318	-	23,318
Presentation and interpretation	20	2,712	170	2,882	2,710	98	2,808
Exhibitions and displays	20	812	13	825	987	13	1,000
Conservation		2,587	-	2,587	2,241	-	2,241
Custodial control		1,422	-	1,422	1,346	-	1,346
		37,496	218	37,714	30,602	111	30,713
<u>Other expenditure</u>		223	-	223	109	-	109
<u>Interest payable</u>	6	1,504	-	1,504	1,178	-	1,178
Total expenditure		39,275	218	39,493	31,935	111	32,046
Net income/(deficit)		8,295	(153)	8,142	(15,223)	280	(14,943)
Transfer between funds		-	-	-	609	(609)	-
Other recognised (losses)/gains							
Actuarial (loss)/gain on pension scheme	22	(2,000)	-	(2,000)	3,000	-	3,000
Net movement in funds		6,295	(153)	6,142	(11,614)	(329)	(11,943)
Reconciliation of funds:							
Total funds brought forward		24,304	715	25,019	35,918	1,044	36,962
Total funds carried forward		30,599	562	31,161	24,304	715	25,019

The notes on pages 30 to 59 form part of these financial statements.

Royal Collection Trust

CONSOLIDATED AND TRUST BALANCE SHEET

As at 31 March 2023

	Note	2023		2022	
		Group £000	Trust £000	Group £000	Trust £000
<u>Non-current assets</u>					
Intangible assets	11	3,979	3,930	4,251	4,129
Tangible assets	12	43,602	43,132	46,570	45,957
Loan to subsidiary	14	-	-	-	7,000
Total non-current assets		47,581	47,062	50,821	57,086
<u>Current assets</u>					
Loan to subsidiary	14	-	7,000	-	-
Stock and work in progress	15	5,535	-	4,052	-
Debtors	16	2,562	10,268	2,974	4,691
Bank deposits		2,031	802	1,360	290
Cash at bank and in hand		515	9	688	10
Total current assets		10,643	18,079	9,074	4,991
<u>Liabilities</u>					
Creditors: amounts due within one year	18	(6,763)	(14,180)	(5,397)	(8,258)
Net current assets /(liabilities)		3,880	3,899	3,677	(3,267)
Creditors: amounts due in more than one year	19	(22,500)	(22,500)	(33,500)	(33,500)
Net assets excluding pension asset		28,961	28,461	20,998	20,319
Defined benefit pension scheme asset	22	2,700	2,700	4,700	4,700
Total net assets		31,661	31,161	25,698	25,019
Funds 20					
<u>Restricted funds</u>					
Fixed assets		277	277	290	290
Cash & Debtors		285	285	425	425
Total restricted funds		562	562	715	715
<u>Unrestricted funds</u>					
General funds:					
Fixed assets		47,305	46,785	50,531	49,796
Free reserve		(18,906)	(18,886)	(30,248)	(30,192)
Pension reserve	22	2,700	2,700	4,700	4,700
Total unrestricted funds		31,099	30,599	24,983	24,304
Total charity funds		31,661	31,161	25,698	25,019

The notes on pages 30 to 59 form part of these financial statements. These financial statements were approved by the Trustees on 4 July 2023 and were signed on their behalf by:



The Hon. Sir James Leigh-Pemberton
Trustee



Sir Brian Ivory
Trustee

Royal Collection Trust

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

Reconciliation of net surplus/(deficit) to net cash generated by/(used in operating activities

	2023	2022
	£000	£000
Net surplus /(deficit) for the year	5,963	(12,009)
Adjustments for:		
Actuarial loss/(gain) on defined benefit pension scheme	2,000	(3,000)
Amortisation	272	278
Depreciation	3,376	3,733
Loss on disposal of fixed assets	52	519
Increase in stock	(1,483)	(30)
Decrease/(increase) in debtors	412	(849)
Increase in creditors	1,366	1,224
Interest receivable	(7)	(1)
Interest payable	1,504	1,178
Net cash generated by/(used in) operating activities	13,455	(8,957)

Statement of cash flows

Net cash generated by/(used in) operating activities	<u>13,455</u>	<u>(8,957)</u>
Cash flows from investing activities:		
Interest income	7	1
Purchase of tangible fixed assets	(460)	(793)
Net cash used in investing activities	(453)	(792)
Cash flows from financing activities		
Net repayment) of loan	(11,000)	(1,000)
Payment of loan interest	(1,504)	(1,178)
Net cash used in financing activities	(12,504)	(2,178)
Change in cash and cash equivalents in the year	498	(11,927)
Cash and cash equivalents at the beginning of the year	2,048	13,975
Cash and cash equivalents at the end of the year	2,546	2,048
Analysis of cash and cash equivalents		
Cash at bank and in hand	515	688
Bank deposits	2,031	1,360
Total cash and cash equivalents	2,546	2,048

The notes on pages 30 to 59 form part of these financial statements.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

I Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Status of company

The Royal Collection Trust ("The Trust") is a company limited by guarantee, incorporated on 29 January 1993 and registered as a charity in England and Wales on 2 February 1993. The Charity is a public benefit entity. The Office of the Scottish Charity Regulator approved The Trust's application to be registered as a charity in Scotland on 5 August 2008. The company was established under a Memorandum of Association which established the objects and powers of The Trust and is governed under its Articles of Association.

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP 2019 (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The company is exempt from the requirement to disclose the details of related party transactions with its subsidiary undertaking.

The subsidiary's principal activities include: management of the admission of visitors to the official residences of The King to view the Royal Collection, the publication of books on the Royal Collection, the granting of rights for the use of images from the Royal Collection in books and other media and the sale of merchandise.

The financial statements have been prepared on a going concern basis which the Trustees consider to be appropriate.

The Trustees have reviewed income, expenditure and cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements based on a 'most likely' scenario. In addition, sensitivity analysis has been prepared to reflect a severe plausible downside scenario. This analysis takes account of the requirements to service and repay borrowing facilities.

The Trust has loan facilities that permit borrowing of up to £40 million. This consists of two facilities, a term loan and a revolving credit facility. At the end year, £22.5 million of the total facility has been drawn. The facility is repayable in instalments. Following an early repayment of £12 million in November 2022, the next payment is due in July 2025, after which the maximum facility will be £30 million. No security was required for the facility. The company has complied with the loan covenant since the loan was drawn and expects to remain compliant for the full term of the loan.

The forecasts show that the Group and Charity will be able to continue in operation for a period of at least 12 months from the approval of the financial statements and will have sufficient funds to meet their liabilities as they fall due and to will comply with loan covenants and the requirements to service and repay the loan.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

I Accounting policies (continued)

On this basis, the Trustees have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The group (collectively referred to as Royal Collection Trust or “the Group”) accounts consolidate The Royal Collection Trust and its subsidiary undertaking, Royal Collection Enterprises Limited on a line-by-line basis. These accounts are made up to 31 March 2023.

Income

Income represents:

- the amounts derived from admission charges (including any Gift Aid receivable) which are culturally exempt from VAT;
- income (excluding VAT), from the sale of goods and reproduction rights;
- the receipt of royalties from publications and merchandise; donations; and
- other income includes booking fees and sundry income.

In general, income is accounted for on a receivable basis, but is deferred when it is received in respect of events or transactions occurring after the year end. Entitlement to a donation arises immediately on receipt, pledges and promises of donations are only recognised as income when the receipt is probable and the amount of the promised gift can be measured reliably.

Resources expended

All outgoing resources are included in the Statement of Financial Activities inclusive of any irrecoverable VAT.

Donations are included in the Statement of Financial Activities when payable. Other charitable expenditure is recognised on an accruals basis, with liabilities valued at their settlement amount.

Expenditure incurred within The Trust is allocated between that incurred directly on admitting the public to the official residences, the conservation and maintenance of items in the Royal Collection, and that incurred on the management and administration of The Trust, details of which are disclosed in note 7. The allocation of management and administration costs between The Trust and its trading subsidiary and the subsequent apportionment to individual activities is based on the proportion of time spent on those activities.

Governance costs

These costs include the costs of governance arrangements which relate to the general running of The Trust as opposed to the direct management functions inherent in day-to-day operations. This includes such items as internal and external audit, legal advice for Trustees and costs associated with regulatory and statutory requirements.

Support costs

Support costs represent the staffing and associated costs of marketing, finance, human resources, IT and general administration in supporting the operational programmes for which The Trust is responsible. These are allocated to the relevant cost area and are explained in more detail in the notes to the accounts.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

I Accounting policies (continued)

Exhibition costs

The cost of mounting exhibitions are written off as they are incurred.

Publishing

The cost of producing each book is carried forward as work in progress until publication. Where, however, it is envisaged that a book will make a loss (e.g. academic or specialist publications), the loss is recognised immediately. Publication titles are included in stock at the lower of cost or net realisable value. Publishing royalties are recognised when earned.

Fixed assets and depreciation

The buildings comprising Windsor Castle, Buckingham Palace (including The Queen's Gallery and the Royal Mews) and the Palace of Holyroodhouse (including The Queen's Gallery) are owned by The King as Sovereign and maintained by the Royal Household Property Section and Historic Environment Scotland. However, where improvements or major redevelopments are made to these buildings by Royal Collection Trust, in order to increase revenues or to fulfil The Trust's charitable objects, the expenditure (including irrecoverable VAT) is capitalised and depreciation is charged over the estimated useful lives of the assets.

The Royal Collection consists of works of art of all kinds which are held by The King in right of the Crown and are held in trust for his Successors and the Nation. These are assets of historical and artistic importance that are held to advance the preservation, conservation and educational objectives of The Trust. Assets held in right of the Crown are not recognised as Heritage Assets by Royal Collection Trust, as they do not meet the recognition criteria of an asset under FRS 102 and are therefore not capitalised in these financial statements. Royal Collection Trust cannot control the benefits that arise from these assets as its role with respect to the Royal Collection as defined by its charitable objects is to administer, conserve, renovate, repair, maintain, improve and advise on the Royal Collection, the Royal Archives and the Photograph Collection which pass in right of the Crown.

All fixed assets are included in the financial statements at historical cost. No depreciation or amortisation is charged on assets in the course of construction until the assets have been successfully commissioned and are available for use. Finance costs incurred in connection with the construction of tangible assets are not capitalised and are charged to the income and expenditure account as incurred.

Depreciation and amortisation is provided by Royal Collection Trust to write off the cost or valuation less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives which are determined on an individual asset basis as follows:

Building redevelopments	-	40 years
Property improvements	-	5 to 20 years
Plant and machinery	-	5 to 20 years
Furniture, fittings and equipment	-	2 to 10 years
Software development	-	3 to 10 years

Individual assets costing less than £5,000 are not capitalised.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

I Accounting policies (continued)

If an asset is available for use but the cost cannot be reliably measured by the year end date (e.g. for construction projects where the final valuation of works is yet to be certified), the estimated cost of the asset is included in Assets in the Course of Construction and an accrual for estimated depreciation is charged against income and held in accruals until the final valuation is known and recorded in the fixed asset register. Where a project is complete and the asset is in use, but a retention is outstanding, the retention and associated depreciation are also accrued.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the income and expenditure account.

Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Work in progress relates to the component cost of publishing stock and china products. In determining the cost of goods purchased for resale, the weighted average cost is used. In the 2023/24 financial year the organisation intends to change the method of valuing stock from weighted average cost to the first in, first out method (FIFO). The method is being changed to more accurately reflect the pattern of movement of some product categories, e.g. perishable goods. If FIFO had been applied to the stock value at 31 March 2023, the valuation of stock would not have been materially different to that provided under Weighted Average Cost.

Estimates and judgements

Provision is made against stock and work in progress where there are specific risks identified against the recoverability of carrying value. Further detail is given in note 15.

The pension costs and obligations of the Royal Households Group Pension Scheme are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details on the assumptions used are given in Note 22. Furthermore, the apportionment of assets between participating employers is subject to judgement, and the approach used has been applied consistently with the funding valuation and over time.

Financial instruments

The Charity holds basic financial instruments. These are initially measured at the amount receivable or payable and subsequently at the amount expected to be received or paid. The financial instruments that the Charity commonly holds are

- Cash and long-term bank deposits – measured at the amount of cash held;
- Trade debtors – initially measured at settlement amount, subsequently this may be adjusted to reflect credit risk;
- Accrued income – measured at the amount expected to be received, subsequently this may be adjusted if the expectation of receipt changes; and
- Trade creditors – measured at the amount to be settled net of any trade discounts.
- Loans (liabilities) – measured at amortised cost. Transaction costs are spread over the life of the facility
- Loans (assets) – measured at amortised cost.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

I Accounting policies (continued)

No financial instruments are held at fair value through profit or loss. Financial instruments are held at amortised cost if the effect of discounting is material to the financial statements.

Pensions

Royal Collection Trust participates in two pension schemes providing benefits based on final pensionable pay, The Royal Household Pension Scheme and The Royal Households Group Pension Scheme, and also a defined contribution scheme. The assets of the schemes are held separately from those of Royal Collection Trust. Contributions to the schemes are charged to the Statement of Financial Activities to reflect the cost of benefits accruing to members so as to spread pension costs over employees' working lives with Royal Collection Trust.

One of these pension schemes, The Royal Household Pension Scheme, is managed by the Government and the benefits of the scheme are broadly analogous to the benefits of the Principal Civil Service Scheme (PCSPS). It is an unfunded scheme and the Consolidated Fund pays as a Standing Service the pension benefits of those Royal Collection Trust employees who entered employment before 1 April 2001.

The liabilities for this scheme are included within the resource accounts of the Consolidated Fund Account. Royal Collection Trust is unable to identify the share of the underlying assets and liabilities of the scheme attributable to its employees on a consistent and reasonable basis and therefore as permitted by FRS 102 this scheme is treated as a defined contribution scheme by Royal Collection Trust and the full cost of contributions made in the year is reflected in the Statement of Financial Activities.

The other scheme, The Royal Households Group Pension Scheme, is accounted for in accordance with FRS102 with current service cost and net interest cost recognised in net income and remeasurement of the net defined benefit asset or liability recognised in other comprehensive income. This scheme was closed to future service accrual from 1 April 2021. From this date, members in-service deferred of the defined benefit scheme and are enrolled in the defined contribution scheme, unless they choose to opt-out.

The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. There is no difference in the accounting treatment for the two schemes. Further details of the pension schemes are provided in note 22.

Taxation

The Royal Collection Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. In addition because the subsidiary is bound by deed of covenant to transfer all its taxable profit to The Trust, it incurs no liability to tax. Consequently Royal Collection Trust has no liability to tax and no deferred tax.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

1 Accounting policies (continued)

Restricted Funds

Restricted Funds include those receipts which are subject to specific restrictions, including donations towards specific projects for conservation and publishing.

Unrestricted Funds

Unrestricted Funds include donations and other income received without restriction, including the profits of the subsidiary, which are expendable at the discretion of the Trustees.

Operating Leases

Operating lease rentals are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

Donated Goods, Facilities and Services

Donated goods, facilities and services are recognised when it has been established that The Trust has an entitlement to them, their receipt is probable and that their value can be measured reliably. Donated goods are measured at their fair value, while donated facilities and services are measured on the basis of their value to The Trust.

2 Licences, commissions and fees

	2023	2022
	£000	£000
Licences & royalties	130	120
Fees	47	34
	177	154

Royal Collection Trust

NOTES (forming part of the Financial Statements)

3 Net income/(deficit) is stated after charging:

	2023	2022
	£000	£000
Auditor's remuneration:		
Audit of these financial statements	50	41
Audit of subsidiary undertakings	33	19
Depreciation, amortisation and impairment		
Owned assets	3,647	3,773
Operating lease charges	338	338

4 Donations and legacies

	2023	2022
	£000	£000
Donations	135	391

Royal Collection Trust

NOTES (forming part of the Financial Statements)

5 Donations payable

Donations payable in the year were as follows:

	Group	Group	Trust	Trust
	2023	2022	2023	2022
	£000	£000	£000	£000
Privy Purse Charitable Trust	515	176	-	-

6 Investment income and interest payable

	Group	Group	Trust	Trust
	2023	2022	2023	2022
	£000	£000	£000	£000
Investment income on cash deposits	7	1	2	1
Interest received on loan to subsidiary	-	-	329	181
	7	1	331	182

	Group	Group	Trust	Trust
	2023	2022	2023	2022
	£000	£000	£000	£000
Interest and charges payable on bank loans	1,504	1,178	1,504	1,178

Interest and charges payable represent interest charged on the term loan and revolving credit facility and amortisation of arrangement fees which are spread over the life of the respective facilities. Further details of the borrowing facilities are given in note 19.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

7 Resources expended

						2023
	Direct costs	Central & HR	IT	Finance	Governance	Total
	£000	£000	£000	£000	£000	£000
Raising funds:						
Fundraising	52	-	-	-	-	52
Retail, catering, photographic	17,875	1,182	200	179	76	19,512
Charitable activities:						
Access	19,487	1,205	222	198	91	21,203
Presentation & interpretation	3,981	887	119	106	66	5,159
Exhibition & displays	1,650	250	30	26	20	1,976
Conservation	2,506	62	7	7	5	2,587
Custodial control	1,259	125	15	13	10	1,422
TOTAL	46,810	3,711	593	529	268	51,911

						2022
	Direct costs	Central & HR	IT	Finance	Governance	Total
	£000	£000	£000	£000	£000	£000
Raising funds:						
Fundraising	46	-	-	-	-	46
Retail, catering, photographic	9,772	686	162	236	63	10,919
Charitable activities:						
Access	15,997	704	179	262	77	17,219
Presentation & interpretation	3,218	589	95	140	57	4,099
Exhibition & displays	1,578	174	24	35	17	1,828
Conservation	2,179	43	6	9	4	2,241
Custodial control	1,221	87	12	17	9	1,346
TOTAL	34,011	2,283	478	699	227	37,698

Non-direct costs are allocated on the basis of estimated usage. For detail on governance costs, see note 9.

8 Key management personnel, staff numbers and staff costs

The key management personnel of the group comprise the Trustees and the Management Board.

Trustees

None of the Trustees received any remuneration during the year in connection with their role as a Trustee of The Royal Collection Trust. The Trust paid liability insurance in respect of each Trustee at a cost of £390 per Trustee (2021/22: £351). None of the Trustees received reimbursed expenses (2021/22: nil). The Trust incurred total expenses of £663 in travel costs for Trustees to attend meetings away from the Board's usual location.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

8 Key management personnel, staff numbers and staff costs (continued)

Management Board

Key Management Personnel of the Group are the Trustees and Management Board. The Members of the Management Board are the Director of the Royal Collection, the Director of Finance and the Director of Commercial Operations and Engagement.

The total payments to the Management Board during these periods were as follows:

	2023	2023	2022	2022
	Total benefits	Pension contribution <i>(included in total benefits)</i>	Total benefits	Pension contribution <i>(included in total benefits)</i>
	£000	£000	£000	£000
	456	41	431	37

Three of the members of the Management Board, received reimbursed expenses totalling £4,850 (2021/22: three - £4,729).

The total remuneration of the Director of the Royal Collection was as follows:

	Total remuneration		Salary		Pension	
	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000
Tim Knox	155	147	140	134	15	13

Pay and remuneration for key management personnel is determined on the same basis as that applied in relation to all roles, that is, a system of job evaluation and market intelligence relating to comparable external roles.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

8 Key management personnel, staff numbers and staff costs (continued)

The average monthly head count was 837 staff (2022: 693 staff). The average number of full-time equivalent (FTE) staff employed by the group or on permanent secondment from the Royal Household, analysed by category, was as set out below:

	Number of FTE employees	
	2023	2022
Care of the Royal Collection	74	73
Visitor experience	373	303
Central retail, publishing & communications	50	47
Management & support services	17	16
Royal Household shared services	70	66
	<u>584</u>	<u>505</u>

The aggregate payroll costs of these persons were as follows:

	2022/23	2021/22
	£000	£000
Wages and salaries	16,983	14,105
Social security costs	1,634	1,336
Other pension costs	1,968	1,689
	<u>20,585</u>	<u>17,130</u>

Royal Collection Trust

NOTES (forming part of the Financial Statements)

8 Key management personnel, staff numbers and staff costs *(continued)*

The Charities SORP requires that the number of employees whose total employee benefits exceed £60,000 is disclosed in bands of £10,000.

The following table shows the number of employees whose benefits (excluding contributions made to a pension scheme) were in excess of £60,000. These include staff employed by the Group or directly funded by the Group (including the directors of Royal Collection Enterprises Limited).

	2022/23		2021/22	
	All staff	Management Board	All staff	Management Board
£60,001 - £70,000	7	-	8	-
£70,001 - £80,000	5	-	2	-
£80,001 - £90,000	2	-	-	-
£120,001 - £130,000	-	-	1	1
£130,001 - £140,000	1	1	2	2
£140,001 - £150,000	2	2	-	-
	17	3	13	3

No contributions to defined benefit pension schemes were made in respect of any members of staff (2021/22: nil).

Royal Collection Trust

NOTES (forming part of the Financial Statements)

9 Governance costs

	Group	Group	Trust	Trust
	2023	2022	2023	2022
	£000	£000	£000	£000
External audit	83	60	50	41
Internal audit	86	74	22	18
Allocated internal costs	94	90	22	25
Trustee expenses (see note 8)	5	3	5	3
	268	227	99	87

10 Deferred Income

Income is deferred where it is received in respect of events or transactions occurring in the future, including advance admission-ticket sales.

	2023	2022
	£000	£000
At 1 April	1,470	5
Income brought forward released during year	(1,470)	(5)
Income deferred during year	2,479	1,470
At 31 March	2,479	1,470

Royal Collection Trust

NOTES (forming part of the Financial Statements)

11 Intangible assets

	Software development	Pug Yard Access	Total
	£000	£000	£000
Group			
Cost			
At 1 April 2022	1,322	4,903	6,225
Disposals /write-off	(107)	-	(107)
At 31 March 2023	1,215	4,903	6,118
Amortisation			
At 1 April 2022	1,198	776	1,974
Charge for the year	75	197	272
Disposals /write-off	(107)	-	(107)
At 31 March 2023	1,166	973	2,139
Net book value			
At 31 March 2023	49	3,930	3,979
At 31 March 2022	124	4,127	4,251
Trust			
Cost			
At 1 April 2022	825	4,903	5,728
Disposals /write-off	(90)	-	(90)
At 31 March 2023	735	4,903	5,638
Amortisation			
At 1 April 2022	823	776	1,599
Charge for the year	2	197	199
Disposals /write-off	(90)	-	(90)
At 31 March 2023	735	973	1,708
Net book value			
At 31 March 2023	-	3,930	3,930
At 31 March 2022	2	4,127	4,129

The intangible assets balance includes £3.9 million (2022: £4.1 million) in respect of a licence to use Pug Yard at Windsor Castle to construct a Learning Centre. The licence was granted to The Trust in return for funding the construction of Frogmore Workshops and was initially valued at the cost of construction. The licence is being amortised over the life of the new Learning Centre as the best estimate of the useful life of the licence, and at 31 March 2023 it has 20 years of amortisation remaining.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

12 Tangible fixed assets

	Building developments	Property improvement	Plant and machinery	Furniture, fittings and equipment	Assets in course of construction	Total
	£000	£000	£000	£000	£000	£000
Group						
Cost						
At 1 April 2022	45,710	12,095	7,970	9,552	752	76,079
Additions	8	43	76	90	243	460
Transfers	178	-	-	-	(178)	-
Disposals /write-off	(18)	(46)	(54)	(550)	(42)	(710)
At 31 March 2023	45,878	12,092	7,992	9,092	775	75,829
Depreciation						
At 1 April 2022	9,719	6,336	6,684	6,770	-	29,509
Charge for the year	1,162	885	277	1,052	-	3,376
Disposals /write-off	(13)	(45)	(54)	(546)	-	(658)
At 31 March 2023	10,868	7,176	6,907	7,276	-	32,227
Net book value						
At 31 March 2023	35,010	4,916	1,085	1,816	775	43,602
At 31 March 2022	35,991	5,759	1,286	2,782	752	46,570
Trust						
Cost						
At 1 April 2022	45,710	11,612	7,555	7,580	752	73,209
Additions	8	41	75	67	227	418
Transfers	178	-	-	-	(178)	-
Disposals /write-off	(18)	(31)	(41)	(282)	(42)	(414)
At 31 March 2023	45,878	11,622	7,589	7,365	759	73,213
Depreciation						
At 1 April 2022	9,719	6,066	6,426	5,041	-	27,252
Charge for the year	1,162	847	248	937	-	3,194
Disposals /write-off	(13)	(31)	(41)	(280)	-	(365)
At 31 March 2023	10,868	6,882	6,633	5,698	-	30,081
Net book value						
At 31 March 2023	35,010	4,740	956	1,667	759	43,132
At 31 March 2022	35,991	5,546	1,129	2,539	752	45,957

Assets in the course of construction relates to capital expenditure that has not yet met the criteria for recognition on the fixed asset register. These are assets that are not yet ready for use.

The net book value of intangible and tangible assets held at 31 March 2023 amounted to £47.6 million, of which £43.2 million was held for charitable activities and £4.4 million was held for other trading activities.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

13 Fixed asset investments

On 31 March 1993 The Trust acquired all of the issued shares of Royal Collection Enterprises Limited for no consideration; the investment is shown in the balance sheet at market value, which in the opinion of the Trustees is nil as the undertakings of Royal Collection Enterprises Limited cannot be transferred to third parties. Furthermore, in the event of Royal Collection Enterprises Limited ceasing to trade, the Trustees estimate that the realisable value of that company's net assets would be nil.

Details of subsidiary undertaking:

	Country of registration or incorporation	Principal activity	Class and percentage of shares held
Royal Collection Enterprises Limited York House St James's Palace London, SW1A 1BQ	England and Wales	Management of public access to Occupied Royal Palaces	Ordinary shares 100%

14 Loan to Royal Collection Enterprises Limited

In March 2021 The Trust advanced a loan of £7 million to Royal Collection Enterprises Limited (RCEL). The loan term is 3 years (although early repayment is permitted) and the interest rate is base rate plus 2.4%. The loan is secured on the assets of Royal Collection Enterprises Limited. In May 2023, RCEL repaid £3.5 million of the outstanding balance. £3.5 million remains due for payment by March 2024.

15 Stock and work in progress

	Group	Group	Trust	Trust
	2023	2022	2023	2022
	£000	£000	£000	£000
Finished goods	4,418	3,196	-	-
Work in progress	1,117	856	-	-
	5,535	4,052	-	-

Stock is stated net of a provision of £719,000 (2022: £396,000). The provision reflects the risk of not recovering the carrying value of specific stock items. The overall increase in stock value reflects the expected demand for Coronation related merchandise in 2023.

The valuation is based on the weighted average cost. In 2023/24 the method for stock valuation will change to first in, first out, to better reflect the pattern of movement of items including perishable goods. There is no material difference between the two methods at 31 March 2023.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

16 Debtors

	Group	Group	Trust	Trust
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade debtors	683	775	411	195
Amounts due from subsidiary	-	-	9,019	3,318
Other debtors	420	399	-	2
Prepayments and accrued income	1,459	1,800	838	1,176
	<u>2,562</u>	<u>2,974</u>	<u>10,268</u>	<u>4,691</u>

Amounts included within prepayments and accrued income and recoverable more than one year after the reporting date include accrued fundraising pledges of £0.1 million (2021/22: £0.3 million).

17 Movement in cash and net debt

	31 March	Cash from	Cost of	Net loan	31 March
	2022	operating &	borrowings	drawdown/	2023
	£000	investing	£000	(repayment)	£000
		activities			
		£000			
Cash at bank & in hand	2,048	13,002	(1,504)	(11,000)	2,546
Bank loans > 1 year	(33,500)	-	-	11,000	(22,500)
Net debt	<u>(31,452)</u>	<u>13,002</u>	<u>(1,504)</u>	<u>-</u>	<u>(19,954)</u>

Royal Collection Trust

NOTES (forming part of the Financial Statements)

18 Creditors: amounts falling due within one year

	Group	Group	Trust	Trust
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade creditors	2,280	2,024	582	557
Amounts due to subsidiary	-	-	13,110	7,021
Other creditors including taxation	4	8	-	-
Accruals and deferred income	4,479	3,365	488	680
	6,763	5,397	14,180	8,258

19 Creditors due in more than one year

	Group	Group	Trust	Trust
	2023	2022	2023	2022
	£000	£000	£000	£000
Loan	22,500	33,500	22,500	33,500
<i>Undrawn facility</i>	17,500	18,500	17,500	18,500

The Trust has entered into two facilities with Coutts and Co. The agreements are as follows:

1. Loan I

This is a £22 million facility agreed in June 2020. Interest is payable quarterly at an annual rate of 2.4% plus the bank's base rate. The covenant attached to this loan is the same as the covenant for the facility below.

In November 2022 The Trust chose to make an early repayment of £12 million against this loan. The balance of £10 million is repayable in July 2025.

The repayment of Loan I reduced the total facility to £40 million from £52 million at the start of the year.

2. Revolving Credit Facility

This is a £30 million facility agreed in March 2021. £12.5 million was drawn at the year end. Amounts drawn under the agreement are charged at an annual rate of 2.8% plus the bank's base rate. Undrawn amounts incur a 1.4% per annum non-utilisation fee. The remaining facility can be drawn at any time by request from The Trust. Drawn funds can be returned to the bank without cancelling the facility. The amount available on the facility will reduce in stages from 2026. The facility will end in March 2028.

Both facilities have the option of early repayment and are subject to a covenant that tests liquidity at specified points. There have been no breaches of covenant during the year or subsequently, and the Charity expects to comply with the covenant for the full term of the loan.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

20 Income Funds

	Restricted funds	Designated funds	Pension reserve	General funds	Total
Group	£000	£000	£000	£000	£000
At 1 April 2022	715	-	4,700	20,283	25,698
Incoming resources	65	-	-	61,828	61,893
Resources expended	(218)	-	-	(53,712)	(53,930)
Losses	-	-	(2,000)	-	(2,000)
At 31 March 2023	562	-	2,700	28,399	31,661

	Restricted funds	Designated funds	Pension reserve	General funds	Total
Group	£000	£000	£000	£000	£000
At 1 April 2021	1,044	2,125	1,700	32,838	37,707
Incoming resources	391	-	-	23,652	24,043
Resources expended	(111)	-	-	(38,941)	(39,052)
Transfers	(609)	(2,125)	-	2,734	-
Gains	-	-	3,000	-	3,000
At 31 March 2022	715	-	4,700	20,283	25,698

	Restricted funds	Designated funds	Pension reserve	General funds	Total
Trust	£000	£000	£000	£000	£000
At 1 April 2022	715	-	4,700	19,604	25,019
Incoming resources	65	-	-	47,570	47,635
Resources expended	(218)	-	-	(39,275)	(39,493)
Losses	-	-	(2,000)	-	(2,000)
At 31 March 2023	562	-	2,700	27,899	31,161

	Restricted funds	Designated funds	Pension reserve	General funds	Total
Trust	£000	£000	£000	£000	£000
At 1 April 2021	1,044	2,125	1,700	32,093	36,962
Incoming resources	391	-	-	16,712	17,103
Resources expended	(111)	-	-	(31,935)	(32,046)
Transfers	(609)	(2,125)	-	2,734	-
Gains and losses	-	-	3,000	-	3,000
At 31 March 2022	715	-	4,700	19,604	25,019

Royal Collection Trust

NOTES (forming part of the Financial Statements)

20 Income Funds (continued)

Restricted funds:	Opening	Income	Expenditure	Closing
	Funds			Funds
	£000	£000	£000	£000
Presentation and interpretation:				
Publishing Supporters Fund	319	53	(147)	225
Learning Supporters Fund	43	10	(13)	40
Art of Japan	8	2	(10)	-
Other restricted funds	55	-	(35)	20
	<u>425</u>	<u>65</u>	<u>(205)</u>	<u>285</u>
Exhibitions:				
The Queen's Gallery, London	213	-	(9)	204
The Queen's Gallery, Edinburgh	77	-	(4)	73
	<u>290</u>	<u>-</u>	<u>(13)</u>	<u>277</u>
Total restricted funds	<u>715</u>	<u>65</u>	<u>(218)</u>	<u>562</u>

Presentation and Interpretation

The Publishing Supporters Fund includes support for specific titles and funding for general publishing spend. Income during the year includes pledges in support of a publication on European Sculpture (£50,000). Expenditure related to the production of this title and two publications on Cassiano.

The Learning Supporters fund represents donations in support of learning projects, both for specified purchases and general funding of learning programmes, and in the current year, funding for subsidised travel for school trips to Royal Collection sites.

The Art of Japan Fund was used to host a conference entitled “Japan and Britain: Courtly and Artistic Exchange”.

Other restricted funds include funding towards digitisation of images and records of specific items within the Royal Collection. Expenditure in 2022/23 funded the screening of Platinum Jubilee celebrations at the Palace of Holyroodhouse.

Exhibitions

These restricted funds are amortised over the economic life of capital assets at The Queen’s Gallery in London and The Queen’s Gallery, Edinburgh.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

20 Income Funds (continued)

Assets representing funds:

Group	Restricted funds	Pension reserve	General funds	Total 2023
	£000	£000	£000	£000
Intangible fixed assets	-	-	3,979	3,979
Tangible fixed assets	277	-	43,325	43,602
Current assets	285	-	10,358	10,643
Creditors due in < 1 year	-	-	(6,763)	(6,763)
Creditors due in > 1 year	-	-	(22,500)	(22,500)
Pension asset	-	2,700	-	2,700
At 31 March 2023	562	2,700	28,399	31,661

Group	Restricted funds	Pension reserve	General funds	Total 2022
	£000	£000	£000	£000
Intangible fixed assets	-	-	4,251	4,251
Tangible fixed assets	290	-	46,280	46,570
Current assets	425	-	8,649	9,074
Creditors due in < 1 year	-	-	(5,397)	(5,397)
Creditors due in > 1 year	-	-	(33,500)	(33,500)
Pension asset	-	4,700	-	4,700
At 31 March 2022	715	4,700	20,283	25,698

Trust	Restricted funds	Pension reserve	General funds	Total 2023
	£000	£000	£000	£000
Intangible fixed assets	-	-	3,930	3,930
Tangible fixed assets	277	-	42,855	43,132
Current assets, incl. loan to subsidiary	285	-	17,794	18,079
Creditors due in < 1 year	-	-	(14,180)	(14,180)
Creditors due in > 1 year	-	-	(22,500)	(22,500)
Pension asset	-	2,700	-	2,700
At 31 March 2023	562	2,700	27,899	31,161

Trust	Restricted funds	Pension reserve	General funds	Total 2022
	£000	£000	£000	£000
Intangible fixed assets	-	-	4,129	4,129
Tangible fixed assets	290	-	45,667	45,957
Loan to subsidiary	-	-	7,000	7,000
Current assets	425	-	4,566	4,991
Creditors due in < 1 year	-	-	(8,258)	(8,258)
Creditors due in > 1 year	-	-	(33,500)	(33,500)
Pension asset	-	4,700	-	4,700
At 31 March 2022	715	4,700	19,604	25,019

Royal Collection Trust

NOTES (forming part of the Financial Statements)

21 Commitments

Capital commitments at 31 March 2023 for which no provision has been made were as follows:

	Group	Group	Trust	Trust
	2023	2022	2023	2022
	£000	£000	£000	£000
Contracted	53	78	-	78
Authorised but not contracted	2,000	-	1,300	-
	2,053	78	1,300	78

Operating Lease Commitments

Total of future minimum lease payments at the end of the reporting period, for each of the following periods:

	Group	Group	Trust	Trust
	2023	2022	2023	2022
	£000	£000	£000	£000
- within one year	276	296	90	12
- in the second to fifth year	377	499	3	2
- later than five years	-	46	-	-
	653	841	93	14

22 Pension schemes

The group participates in three pension schemes as follows:

- Scheme 1 The Royal Households Group Pension Scheme
- Scheme 2 The Royal Household Pension Scheme
- Scheme 3 The Royal Household Worksave (Mastertrust) Pension Scheme

Schemes 1 and 2 are closed to new members. Employees are entitled to be members of the Royal Household Worksave (Mastertrust) Pension Scheme. Details of the schemes are set out below.

Scheme 1 provides benefits based on final pensionable pay and is non-contributory for employees. The contributions for this scheme are determined by a qualified actuary, on the basis of triennial valuations. The most recent approved valuation of the scheme was carried out as at 31 December 2020.

It is the stated policy of the Trustees that the Charity's share of the assets and liabilities of Scheme 1 are to be recognised in the financial statements of The Royal Collection Trust.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

22 Pension schemes (continued)

Scheme 2 is managed by the Government and has terms by-analogy to the Principal Civil Service Pension Scheme. Eligible employees are those who were previously paid from the Civil List and are now paid by The Royal Collection Trust and who joined the Royal Household prior to 1 April 2001.

The scheme is an unfunded multi-employer defined benefit scheme in which Royal Collection Trust is unable to identify the share of the underlying assets and liabilities attributable to its employees and as permitted by FRS 102 this scheme will continue to be accounted for as if it were a defined contribution scheme.

The scheme actuary (Government Actuary's Department) valued the scheme as at 31 March 2019 and updates that valuation for International Accounting Standard 19: Employee Benefits (IAS19) annually. The total liabilities of the scheme of £83.6 million (2022: £124.9 million) are disclosed in the Consolidated Fund Account. Royal Collection Trust funds all or part of the employment costs of of the 31 active members of the scheme as at 31 March 2023 (2022: 8 of 38 active members). Pension contributions are paid directly to the Consolidated Fund and, in turn, pension benefits are paid directly from the Consolidated Fund as a Standing Service on a defined benefit basis. The contribution rate during the year was 21.1% of pensionable pay, reflecting a valuation by the Government Actuary's Department. The contribution rates reflect the cost of pension benefits as they are earned by employees.

Employees make additional contributions as a percentage of actual Pensionable Pay. The contribution rate payable is determined by the tier that an employees' Full Time Equivalent annual Pensionable Pay would fall into per the following table:

Equivalent Annual Pensionable Pay	Member contributions
Up to £15,000	1.50%
£15,001 to £21,636	3.00%
£21,637 to £30,000	4.48%
£30,001 to £50,000	5.27%
£50,001 to £60,000	6.06%
Above £60,000	6.85%

Scheme 3 is administered by Legal and General and is non-contributory for employees. Benefits are based on contribution levels linked to investment returns over the period to retirement. A stakeholder plan was provided until July 2020, when it was replaced with the Royal Household Worksave (Mastertrust) Scheme. Employees can make additional contributions up to the HM Revenue & Customs' limits.

The pension charge for the year was £1,969,000 (2021/22: £1,689,000).

Royal Collection Trust accounts for pension costs in accordance with FRS 102 which requires the following disclosures in respect of Royal Collection Trust's pension schemes:

Scheme 1

Royal Collection Trust participates in a funded defined benefit pension plan, the Royal Households Group Pension Scheme – Royal Collection ('the Scheme').

Royal Collection Trust

NOTES (forming part of the Financial Statements)

22 Pension schemes (continued)

The level of benefits provided by the Scheme depends on a member's length of service and their salary at their date of leaving the Scheme. Under the plan, employees are entitled to annual pensions on retirement at age 60 of 1/60 of final pensionable salary for each year of service up to 31 March 2007, then 1/70 for service up to 31 March 2019, then 1/90 for service from 1 April 2019. The scheme closed to future accrual with effect from 1 April 2021, however former active members still retain their link to salary increases. From 1 April 2021 members are enrolled in the Royal Household Defined Contribution Worksave (Mastertrust) Pension Scheme, unless they choose to opt out.

The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2020 and no regular contributions are due to be paid by Royal Collection Trust to the Scheme during the year to 31 March 2023 (year to 31 March 2022: £nil), other than administration expenses.

The results of the latest funding valuation at 31 December 2020 have been adjusted to the balance sheet date taking account of experience over the period since that date, changes in market conditions and differences in the financial and demographic assumptions and an allowance has been made for additional benefits due to GMP equalisation. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

The principal assumptions used to calculate the liabilities under FRS 102 are as follows:

Financial assumptions

	31 March 2023	31 March 2022
	% per annum	% per annum
RPI inflation	3.3	3.5
CPI inflation	2.6	2.8
Rate of general long term increase in salaries	4.1	3.8
Pension increase (LRPI5)	3.1	3.3
Discount rate for scheme liabilities	4.7	2.7

Demographic assumptions

	31 March 2023	31 March 2022
	Years	Years
Life expectancy for male currently aged 65	22.0	22.8
Life expectancy for a female currently aged 65	24.4	24.9
Life expectancy at 65 for male currently aged 45	23.4	24.1
Life expectancy at 65 for a female currently aged 45	25.8	26.3
Cash commutation	Members assumed to take their cash lump sum at retirement	

The mortality assumptions are based on the results of the most recent Scheme funding valuation but with an explicit allowance this year for the expected long term negative impact to life expectancy of Covid-19. This is reflected in the increase to mortality base table scaling factors since last year. The mortality assumptions also allow for expected future improvements in mortality rates.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

22 Pension schemes (continued)

Scheme assets

	31 March 2023		31 March 2022	
	£m	%	£m	%
UK equities	0.0	0	0.6	2
Overseas equities	9.6	41	13.9	42
Fixed interest gilts	3.9	16	2.5	7
Index-linked gilts	6.8	29	9.6	29
Property	2.6	11	3.2	10
Cash	0.6	3	3.3	10
	23.5	100	33.1	100

None of the Scheme assets are invested in the Trust's financial instruments or in property occupied by, or other assets used by, the Group.

Reconciliation of funded status to balance sheet

	31 March 2023	31 March 2022
	£m	£m
Fair value of assets	23.5	33.1
Present value of funded defined benefit obligations	<u>(20.8)</u>	<u>(28.4)</u>
Funded status	2.7	4.7
Unrecognised asset	<u>-</u>	<u>-</u>
Asset recognised on the balance sheet	2.7	4.7

When determining the asset recognised on the balance sheet, it has been assumed that The Royal Collection Trust would be able to recover the surplus through a refund from the Scheme in the future. This reflects the provisions of the Scheme's documentation.

Amounts recognised in net income

	31 March 2023	31 March 2022
	£m	£m
Interest on net defined benefit assets	0.1	-
Administration costs	<u>(0.1)</u>	<u>(0.1)</u>
Expense recognised in net income	-	(0.1)

Royal Collection Trust

NOTES (forming part of the Financial Statements)

22 Pension schemes (continued)

Other recognised gains and losses

	31 March 2023	31 March 2022
	£m	£m
(Losses)/gains on scheme assets during the year	(9.6)	1.8
Gains on scheme liabilities during the year	7.6	1.2
Total other recognised (loss)/gain	(2.0)	3.0

Changes to the valuation of the defined benefit obligation during the year

	31 March 2023	31 March 2022
	£m	£m
Obligation at the start of the year	28.4	30.9
Interest cost on defined benefit obligations	0.8	0.6
Actuarial (gains) on scheme liabilities	(7.6)	(1.2)
Net benefits paid out	(0.8)	(1.9)
Obligation at the end of the year	20.8	28.4

Changes to the fair value of scheme assets during the year

	31 March 2023	31 March 2022
	£m	£m
Fair value at the start of the year	33.1	32.6
Interest income on scheme assets	0.8	0.6
(Losses)/gains on scheme assets	(9.6)	1.8
Contributions by the employer	0.1	0.1
Administration costs incurred	(0.1)	(0.1)
Net benefits paid out	(0.8)	(1.9)
Fair value at the end of the year	23.5	33.1

Royal Collection Trust

NOTES (forming part of the Financial Statements)

22 Pension schemes (continued)

Estimated charge to net income for the next year

Using the assumption for the discount rate set out above, we estimate that the charge to the profit and loss account for the next financial year will be:

	£m
Administration	<u>0.1</u>
	0.1

The actual amount to be charged to the profit and loss account for the next financial year might be different to that estimated above.

Sensitivity of the results to the key assumptions

The key assumptions used for FRS 102 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows.

		Plan assets	Obligation	Surplus/(deficit)
Following a 0.25% decrease in the discount rate	Change	0.0	0.7	(0.7)
	New value	23.5	(21.5)	2.0
Following a 1.00% decrease in the discount rate	Change	0.0	3.2	(3.2)
	New value	23.5	24.0	(0.5)
Following a 0.5% increase in the inflation assumption (excluding salary increases)	Change	0.0	1.0	(1.0)
	New value	23.5	(21.8)	1.7
Following a 1-year increase in life expectancies	Change	0.0	0.7	(0.7)
	New value	23.5	(21.5)	2.0

Scheme 2

Scheme 2 is a multi-employer scheme. Royal Collection Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and as permitted by FRS 102 the scheme has been accounted for by Royal Collection Trust as if the scheme was a defined contribution scheme.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

23 Related Party Transactions

Set out below are details of transactions during the year with related parties and with other entities which, whilst not related parties, it is deemed appropriate to disclose. The figures in italics represent the amounts due (to) or from related parties at the balance sheet date.

Related Party	2023 £000	2022 £000	Details of Transaction
Royal Household	4,661 <i>(1,328)</i>	3,325 <i>(439)</i>	Charges to Royal Collection Trust (RCT) for various services including personnel, payroll, pensions administration, internal audit, records management, property maintenance services and IT services.
Royal Household	57 15	58 <i>16</i>	Recovery from the Royal Household of costs incurred on behalf of the Royal Household.
Privy Purse Charitable Trust (PPCT)	515 4	176 -	Donation to the PPCT in lieu of its right to charge for admission to Queen Mary's Dolls' House, Windsor Castle.
St George's Chapel	1,382 10	493 <i>58</i>	Payment to St George's Chapel in respect of admissions to St George's Chapel, Windsor Castle collected by Royal Collection Enterprises Limited (RCEL).
Privy Purse (including Windsor Farm Shop and Royal farms)	36 -	26 <i>12</i>	Sale of goods for resale to the Privy Purse; recharge of costs incurred by RCEL on behalf of the Privy Purse.
Privy Purse (including Windsor Farm Shop and Royal farms)	9 9	13 <i>(1)</i>	Payment to Privy Purse in respect of costs incurred on behalf of RCEL, and royalties payable by RCEL for use of Royal Farms milk and contributions to shared funds.
A G Carrick (Highgrove)	30 7	22 <i>12</i>	Sale of goods for resale to A G Carrick.
Office of the former Prince of Wales	3 -	3 <i>2</i>	Recovery of costs incurred on behalf of the Office of the former Prince of Wales and the sale of RCEL stock.
Office of the former Prince of Wales	-	2	Payments to the Office of the former Prince of Wales in respect of costs incurred on behalf of RCEL.
Historic Royal Palaces (HRP)	71 -	91 <i>5</i>	Recovery of costs from HRP for maintenance, services and goods from resale purchased from RCEL.
Balmoral Estate	26 -	10 <i>2</i>	Purchase by Balmoral Estate of RCEL goods for resale.
Sandringham Estate	2 -	25 -	Purchase by Sandringham Estate of RCEL goods for resale.
Royal Household Staff Wellbeing Fund	19 (9)	19 <i>(9)</i>	Contribution to the Fund for the benefit of employees of The Royal Household including Royal Collection Trust.
Royal Households Group Pension Scheme	139 (46)	118 <i>(13)</i>	Administration costs for the defined benefit pension scheme.

Transactions are settled in cash. Transactions with key management personnel are disclosed in Note 8. None of the Trustees, directors or other related parties except as referred to above or as otherwise disclosed in the financial statements has undertaken any transactions with The Royal Collection Trust or Royal Collection Enterprises Limited during the year. The Company is exempt from the requirement to disclose the details of related party transactions with its subsidiary undertaking.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

24 Royal Collection Enterprises Limited

The Trust's wholly-owned subsidiary, Royal Collection Enterprises Limited (company number 2778486), has a paid up share capital of £2, and is incorporated in the UK. Audited accounts are filed with the Registrar of Companies and a summary of its trading results is shown below.

Principal activities

The principal activities of the company are the management of public access to the official residences of The King and the sale of merchandise. Taxable profits are Gift Aided in full under deed of covenant to the holding company, The Royal Collection Trust, a company limited by guarantee and registered as a charity.

Business review

The purpose of the company is to generate income for The Royal Collection Trust for the presentation, maintenance and conservation of the Royal Collection.

Income is raised from fees for the management of public access and shop sales at the official residences of The King.

In addition to the above, income is raised through off-site retail activities, catering operations at the Palace of Holyroodhouse, Windsor Castle and Buckingham Palace Summer Opening, and fees for reproducing images of items in the Royal Collection.

The Royal Collection Trust has responsibility for admitting visitors to the official residences of The King and the company acts as an agent of The Trust in managing the admission of visitors to the official residences.

Royal Collection Trust

NOTES (forming part of the Financial Statements)

24 Royal Collection Enterprises Limited (continued)

Profit and Loss Account

for the year ended 31 March 2023

	2023	2022
	£000	£000
Turnover	51,222	31,251
Direct costs, including cost of sales	(38,406)	(25,374)
Gross profit	12,816	5,877
Administrative expenses	(3,191)	(2,494)
Donations payable	(515)	(176)
Other operating income	47	34
Operating profit	9,157	3,241
Interest payable	(329)	(181)
Interest receivable	5	-
Profit for the financial year	8,833	3,060

Balance Sheet

as at 31 March 2023

	2023	2022
	£000	£000
Fixed and current assets	22,212	15,157
Current and non-current liabilities	(21,712)	(14,478)
Net assets and shareholder's funds	500	679

Reserves

At the beginning of the year	679	746
Retained loss for the year	(179)	(67)
At the end of the financial year	500	679